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REDUCTION OF PRODUCTION COSTS IN RUMANIA

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The campaign for the reduction of production prices was launched by Decree No 910 of 1949, issued by the Council of Ministers. As a consequence of the new decree, costs in the second half of 1949 were lower than in the first half in steel, petroleum, coal, woollens, clothing, and other items.

A uniform treatment of the cost problem was created by Decree No 142 of 25 May 1950, which provided for the reorganization of the price administration. A price committee was established within the Council of Ministers. This eventually became the General Directorate for Prices in the Price Division of the State Planning Commission.

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The currency reform decree of January 1952 also provides for the continued reduction of production costs. The Five-Year Plan calls for a 23-percent cut in production costs in 1955 over 1950. In order that the necessary measures be taken by all enterprises to reduce costs, they must become familiar with the structure of production expenses. The various components of production costs must be figured differently for the various types of industries. For example, the following table shows the components which were computed for the reduction of production costs in 1950:

<u>Industry</u>	<u>Total Costs</u>	<u>Wages</u>	<u>Raw Materials</u>	<u>Fuel and Electricity</u>	<u>Amortization and Other Cash Payments</u>
Coal	100	47.1	25.8	5.2	21.9
Steel	100	19.3	61.9	8.0	10.8
Meat	100	5.1	90.4	0.9	3.6
Industry in general	100	23.0	56.2	5.1	15.7

The specific factors which must be emphasized in the RPR for the reduction of costs are as follows:

1. Increase in the productivity of labor through competitions, the Stakhanovite system, new industrial techniques, new work methods.
2. Pay according to production.
3. Reduction of the cost of raw materials, fuels, and electrical energy by decrease in consumption per unit of production.
4. The liquidation of losses due to waste and rejects.
5. More efficient use of production equipment.
6. Adhering to financial and accounting discipline and reduction of indirect costs.
7. The spread of planned economy through sections, brigades, and other units.

At Laminorul [Laminorul Rolling Mill?] in Bucharest the relative cost of wages declined in the first half of 1951 as a result of higher labor productivity. The greater effectiveness of labor in the second half of 1951 permitted a saving of 10,840 man-hours over 1950 and the first half of 1951 in four products alone. The Filatura Romaneasca de Bumbac [cotton spinning mill?] reduced production costs 6.48 percent in the second quarter of 1951 by the introduction of the Kovalyov method. Filimon Sarbu saved 917,000 lei in April 1951, more than 917,000 lei in May 1951, and 2,134,000 lei in June 1951 by the use of the Zhandarova, Nina Nazarova, and Kotlyar methods. Electrocablul [Electrocablul Electrical Equipment Enterprise?] saved 27 million lei by the formation of a collective to manufacture new products. Electromagnetica [makes electrical equipment?] achieved a saving of 5,227,000 lei by simplifying and improving methods.

Other plants cut production costs by decreasing the use of raw materials. At present, there is too much waste and there are too many inferior products in industry. Manufacturing can be done with cheaper raw materials and by the re-use of scraps and rejects. Laminorul used 10 percent less raw materials in 1951 than in 1950. The food and light industries have been especially successful. Filimon Sarbu [Filimon Sarbu Oil Factory?] developed new techniques which

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permitted it to obtain more oil from a given amount of raw material. The following chart shows the quantity of raw materials needed to produce one kilogram of oil under old methods in 1949 and under new methods in 1950:

Oil From	<u>Kg of Seed per Kg of Oil</u>		<u>Economies Achieved</u>	
	<u>1949</u>	<u>1950</u>	<u>Kg</u>	<u>Lei</u>
Pressing	3.91	3.334	426,554	3,962,687
Extraction	3.55	3.37	1,070,992	10,548,582
Milling	6.35	5.272	998,872	5,373,931
Pumpkin seeds	3.26	2.85	326,989	10,702,349
Colza, pressed	4.04	3.41	89,517	2,453,661
Colza, extracted	3.72	3.62	12,881	131,000
Total				33,172,210

The Tesstorile Reunite [textile collective] in Bucharest was outstanding in achieving savings in raw materials, as illustrated by the following chart:

<u>Product</u>	<u>Raw Material</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	
				<u>1st Qu</u>	<u>2d Qu</u>
				(in grams)	
Serge (cm)					
90	Rayon	67	63	62	64
90	Cotton	54	52	50	48
140	Rayon	134	128	126	131
140	Cotton	104	102	100	70
Wool Shag	Coarse wool	1,087	1,131	1,090	1,050

Savings achieved by this enterprise in the reduction of raw materials reached 1.4 million lei in 1950 and 3,681,000 lei in the first half of 1951.

Other enterprises have cut the cost of raw materials by a reduction in waste and rejects. At the Steaua Rosie Uzina [Steaua Rosie Equipment Plant?], for example, the percentage of rejects and waste in the locksmith shop was 43 percent less in the first half of 1951 than in 1950. At the Filatura Romaneasca de Bumbac, the percentage of waste was 11.27 percent in 1949. This was reduced to 10.73 percent in the first quarter of 1951 and 10.72 percent in the second quarter. However, less than half of the waste material was subsequently utilized. Bela Breiner [Clothing and knitwear plant?] reduced the price of children's clothing of 2.5-10 percent by making use of wastes.

Some enterprises have outdated norms or none at all for the use of raw materials. Vatra Dornei [milk products plant?] has no specified norms and therefore the use of raw materials varies greatly. In 1950, the use of milk per kilogram of butter was 24.47 liters, in January 1951 this was 27 liters, in February 26 liters, in March 27 liters, and in April 31.7 liters.

Another factor in the reduction of costs is the better use of production equipment. In 1951, many collectives succeeded in raising the use of machine tools and equipment. In the machine construction industry, the over-all index for the use of machine tools was 29 percent greater in 1951 than in 1950. The collective factories 23 August [23 August Enterprise?], Unio [Unio Railroad Equipment Factory?], Macazul [Macazul Railroad Equipment Plant?] and Victoria achieved an index of 10-20 percent higher than other

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enterprises in their field. However, enterprises such as Timपुरi Noi [Timपुरi Noi Iron and Metallurgical Works?], Viitorul [Viitorul Iron Plant?], and I Mai have achieved indexes 10-15 percent below their plans. In other plants, such as Ceahlăul Fusul [textile mill?], and 11 June, tools are not utilized fully because the administration fails to keep them repaired. At Ceahlăul, the repair of a lathe required 90 days instead of 30. IPEIL (Enterprise for the Exploitation and Processing of Wood) units in Anina and Curtea de Argeș failed entirely to maintain their equipment in operating condition.

Many enterprises have succeeded in reducing production costs by cutting indirect expenses. At Laminorul, the collective succeeded in cutting indirect costs by 1,928,000 lei in the first quarter of 1951 and by 1,418,000 in the second quarter of 1951. Scaieni [glass plant?] saved 4,596,000 lei in the second quarter of 1951. The Elena Pavel enterprise reduced indirect expenses 34.78 percent in the second quarter of 1951 over 1950. In the chemical industry, many enterprises have much higher indirect expenses than others. Wood distilleries in Caras, Marginea, and Darmanesti have indirect expenses which constitute 6, 9, and 18 percent respectively of their total expenses, although products are the same. A typical error common to many enterprises is illustrated by the case of a glass factory in Medias. This plant, instead of lowering indirect costs, raised them 29 percent in the second quarter of 1951 over 1950. A glass factory in Bucharest raised indirect costs 84 percent in the same period. For an enterprise to reduce indirect expenses, it must reduce the percentage of administrative employees and raise the percentage of productive workers. In some enterprises, such as the AMIT plant in Bucharest, the number of administrative employees represents 19.25 percent of all personnel. There are numerous other enterprises in which approximately 18 percent of the personnel are administrative employees.

Indirect expenses are also incurred by enterprises which fail to respect contract discipline. They are subject to penalties for their failure to respect the terms of a contract or for their use of inefficient transport methods. For example, Viforul suffered penalties equivalent to 21 percent of production in June 1951. It was required to pay 160,000 lei for failure to respect contract obligations. Electrocahlul was penalized for inefficiently organized transport. It ordered oxygen from Ucea-Fagaras instead of from nearby sources in Bucharest or Ploesti. Such examples are common.

The following table illustrates to what extent industries have adjusted expenses.

Branch of Industry	Year	Total Expenses	Wages and Incidentals	Raw Materials	Fuel and Electricity	Amortization and Other Expenses
Coal	1949	100	48.6	23.4	4.1	23.9
	1950	100	47.1	25.8	5.2	21.9
Steel	1949	100	19.1	58.4	8.8	13.7
	1950	100	19.3	61.9	8.0	10.8
Meat	1949	100	3.9	90.2	1.2	4.7
	1950	100	5.1	90.4	0.9	3.6
Industry as a whole	1949	100	22.7	52.7	5.7	18.9
	1950	100	23	56.2	5.1	15.7

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The table shows that in the coal industry the productivity of labor was 6.5 percent greater in 1950 than in 1949. In the steel industry, the increased productivity of labor resulted in the use of a greater percentage of funds available for raw materials. The failure of the meat industry to fulfill the 1950 production plan stemmed from its inability to raise the productivity of labor, and thus wages and salaries jumped from 3.9 percent to 5.1 percent.

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